

## IRAN AND THE UNITED STATES: RECREATING A STRATEGIC PARTNERSHIP

BY

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**IRAN AND THE UNITED STATES: RECREATING A STRATEGIC PARTNERSHIP**

by

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## **ABSTRACT**

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Iran's geographical location, regional influence, large and well-educated population, extensive petroleum resources, and functioning theocratic democracy make it critical for the United States to seek re-creation of a strategic partnership to further U.S. foreign policy goals. Iran used to be a strong regional partner of the U.S. under the Shah of Iran. While U.S.-Iran relations over the last 30 years have exhibited strong hostility, and the Iranians have pursued activities against U.S. interests in the Middle East and South Asia, the two countries share vital interests. These common interests include: a stable Afghanistan and Iraq, an increase in global energy security through development of Iran's oil and gas resources and unimpeded flow of oil through the Persian Gulf, and maintenance of an international nuclear weapons non-proliferation regime to avoid a nuclear arms race in the Middle East. While sharp policy differences exist (resolving the Israeli-Palestinian conflict, Iranian support for groups which the U.S. defines as terrorist, etc.), a carefully-structured process of diplomatic engagement could potentially move beyond just reducing tensions to the re-creation of a mutually-beneficial regional strategic partnership between the United States and Iran.





## IRAN AND THE UNITED STATES: RECREATING A STRATEGIC PARTNERSHIP

...the problem of Iran may be the ultimate test of America's leadership in the new era that is dawning.

—Kenneth M. Pollack<sup>1</sup>

In order for the Obama administration to achieve key American foreign policy goals, the cooperation of Iran will be necessary. Iran can significantly affect U.S. efforts to stabilize Iraq and Afghanistan, to help resolve the Israeli-Palestinian conflict, to reduce international terrorism, to maintain an effective nuclear weapons non-proliferation regime, to strengthen democracy and responsible governance within the Middle East, and to expand access to petroleum supplies for the U.S. and its allies. At the same time that there is a growing chorus of support within Washington for establishing a dialogue with Iran, Tehran is reportedly realizing that "Iran will never be able to achieve its full potential as long as its relationship with the United States remains adversarial." <sup>2</sup> Many advocates of dialogue call for seeking a limited outcome of a reduction in tensions, but others call for a broader and deeper engagement to "reset" the entire relationship between the U.S. and Iran with the aim of winning active support of Iran for U.S. policies<sup>3</sup> or, in essence, recreating a strategic partnership between the U.S. and Iran. In exploring the possibilities surrounding the re-creation of a strategic partnership between Iran and the U.S., the following five questions will be discussed: 1) What is the strategic importance of Iran?; 2) What are the historical roots of hostilities between the two countries?; 3) What behavior by both sides leads to mutual distrust?; 4) What are their common and their divergent interests?; and 5) What form of diplomatic engagement might re-create a strategic partnership between Iran and the United States?

## The Strategic Importance of Iran

Iran's location is one element that defines its strategic importance to the United States. Iran, a nation slightly larger than Alaska<sup>4</sup>, lies at the crossroads of Central Asia, the Middle East, and South Asia, and has an extended border along the Persian Gulf (See Figure 1). The country has a strong national identity and deep historic cultural and economic ties and influence across the region.<sup>5</sup> Iran has a well-educated male and female population of over 65.8 million people.<sup>6</sup> Iran is one of the founding members of the Organization of Petroleum Exporting Countries (OPEC), and has the third-largest proven oil reserves and the second-largest natural gas reserves in the world.<sup>7</sup>



Figure 1 – Map of Iran<sup>8</sup>

Iran also has the only functioning constitutionally-grounded, theocratic republic in the Middle East. Suffrage is universal with a minimum voting age of 16.<sup>9</sup> While Iran is not modeled on the U.S. democracy, it is stable and exhibits “multiple voices and persistent dissent in the political arena,” which puts it ahead of most of its neighbors in the region.<sup>10</sup> In addition, for the last 500 years, Iran has been the only officially Shi’ite Muslim state in the world despite other countries in the Middle East having more Shi’i Muslims than Sunni Muslims.<sup>11</sup> Given these strategic factors, and the U.S. need for powerful allies in this vital region to further its security and foreign policy interests, Iran is one state that the U.S. should make an attempt to befriend.<sup>12</sup>

### The Historical Roots of Hostilities

While many Middle Eastern states are artificial creations, Iran as an entity has occupied the same general area for over 2,500 years.<sup>13</sup> Until the eighteenth century, Iran rivaled the Ottoman and Mogul Empires and was able to deal with the West on relatively equal terms.<sup>14</sup> However, like China, Iran entered a period beginning in the 1700s where it progressively surrendered territory or influence to outsiders (Great Britain, Russia, and eventually the United States), and eventually suffered multiple humiliations during the nineteenth and twentieth centuries.<sup>15</sup>

In addition to the above historical sensitivities, U.S. officials dealing with Iran must also bear in mind the two pivotal historical events that have shaped and colored U.S.-Iran relations since World War II: 1) the CIA-engineered coup against Iranian Prime Minister Mossadegh in 1953, and 2) the takeover of the U.S. Embassy in 1979 by Iranian students and the seizing of American hostages.<sup>16</sup> Iranians tend to have forgotten the role played by the U.S. in occupying Iran during World War II, and in

helping force the USSR to withdraw its forces from Iranian territory after that war; their political memory has focused on later events.

Popular resentment over the monopolization of Iranian oil resources by the Anglo-Iranian Oil Company and Great Britain led to the appointment of Mohammed Mossadegh as Iranian Prime Minister in 1951. The Prime Minister quickly moved to nationalize the British oil company, which provided over 90% of Europe's petroleum supplies. The ensuing crisis caused Britain to request that the U.S. stage a coup against the Prime Minister, a request denied by the Truman Administration but accepted by the Eisenhower Administration, which feared that Iran would move into the Soviet bloc. On August 19, 1953, the Central Intelligence Agency (CIA) successfully helped orchestrate a coup that toppled the Mossadegh regime, brought the Shah of Iran, Reza Pahlavi, back to Tehran after he had fled the country, and put him into a position of unrivaled power. To Iranians, this event represented America's "original sin" in Iran, and the Shah was never able to shake the perception that he was Washington's puppet.<sup>17</sup>

The second major event that shaped Iran-U.S. relations occurred in 1979. Rising resentment and protests against the Shah's heavy-handed regime coupled with the departure from his Iraq exile of Ayatollah Khomeini led to the Shah's fall from power and departure into exile on January 16, 1979.<sup>18</sup> The overall U.S. military and commercial presence was dramatically downsized, but the Embassy itself remained in place with a core staff through the following months. On November 3, 1979, Iranian students occupied the U.S. Embassy in Tehran and held more than 50 Americans hostage for 444 days until their release was finally negotiated. During the hostage crisis, which

resonated powerfully in the American media on a daily basis, Americans were surprised to learn that the U.S. was held responsible by the Iranian people for over a quarter of a century of domestic misery and torture under the Shah.<sup>19</sup> Since that time, the U.S. has sought to isolate Iran, a policy that has achieved few results.<sup>20</sup> In response, Iran's government has supported non-state actors opposing U.S. interests in Israel, Lebanon, and Iraq.<sup>21</sup>

### Behavior That Leads to Mutual Distrust

Since the fall of the Shah of Iran in 1979, both the Islamic Republic of Iran and the United States have engaged in behavior that the other side considers to be hostile and a threat to its national interests. For its part, Iran would like the U.S. to drop Iran from its list of state sponsors of terrorism, lift its economic sanctions, stop supporting Iranian dissidents, and end talk of "regime change".<sup>22</sup> Iran also fears the large U.S. presence in the region, which it sees as a threat to its sovereignty and security. From its side, the U.S. would like to see Iran end its suspicious nuclear program, cease supporting groups which the U.S. considers to be terrorist, back a negotiated Middle East peace settlement, quit supplying weapons to Iraqi and Afghan insurgents, and treat its own people with decency.<sup>23</sup>

The overall priority of the Iranian regime is its own security<sup>24</sup>, and actions taken by the United States over the last 30 years to isolate the regime have been seen as a threat to that security. Iran was added to the "terrorism list" in January 1984 after the October 1983 bombing of the U.S. Marine barracks in Beirut, an act believed to be perpetrated by Lebanese Hizballah<sup>25</sup>, which is heavily supported by Iran.<sup>26</sup> Given the hostility in the region towards its Islamic revolution in 1979, Iran has supported

subversive movements for what it considers three sound reasons: 1) to defend and spread its Islamic revolution; 2) to topple what it considers illegitimate regimes (e.g., Muslim Sunni governments that oppressed Shi'i majorities); and 3) to project its power and influence events beyond its borders.<sup>27</sup> To defend its sovereignty, Iran has adopted a strategy of unconventional warfare to compensate for its conventional military weakness. For example, while Iran has built up modest conventional coastal naval and missile forces to exercise control over the Strait of Hormuz in the Persian Gulf, it has complemented those assets with the unconventional potential to launch attacks by groups it supports in the region such as Lebanese Hizballah.<sup>28</sup>

Iran has been the object of various U.S. sanctions since 1979. President Carter declared a national emergency with respect to Iran on November 14, 1979 (just 10 days after the seizure of American hostages at the embassy in Tehran) and it has been renewed every year since.<sup>29</sup> Because of the hostage crisis, the U.S. froze \$12 billion in Iranian assets, suspended hundreds of millions of dollars worth of arms purchases, and banned imports from Iran.<sup>30</sup> Since the 1980s, the U.S. has applied economic sanctions in attempts to reduce Iran's support for groups defined by the U.S. as terrorist, and to impede the pursuit of weapons of mass destruction (WMD) by Tehran. Several significant pieces of legislation targeting Iran have been passed by Congress: the Iran-Iraq Arms Nonproliferation Act of 1992<sup>31</sup>, the Iran and Libya Sanctions Act of 1996<sup>32</sup>, and the Iran-Syria Non-Proliferation Act of 2000<sup>33</sup>. These acts tighten export restrictions on dual-use technologies, prohibit investments above \$20 million in Iran's oil and gas resources<sup>34</sup>, and authorize sanctions on U.S. and foreign entities assisting Iran's WMD programs<sup>35</sup>. Both President Clinton and President Bush have issued Executive Orders

expanding the ability of the U.S. to ban exports to Iran through third party countries and to freeze the assets of and suspend transactions with entities supporting international terrorism, which has been used against Iranian entities.<sup>36</sup> The annual costs of U.S. sanctions to Iran are estimated to be in the billions of dollars, and are considered an “infuriating injustice” by Tehran.<sup>37</sup>

Despite having signed the “Algiers Accords” in 1981, the U.S. has effectually supported “regime change” in Iran since the 1979 Islamic revolution, and Congress started providing funds to anti-regime groups in the 1980s.<sup>38</sup> However, Congress increased the funding significantly during the Bush Administration, providing a total of \$42.2 million for democracy promotion in Iran between FY2004 and FY2007.<sup>39</sup> The funds were used for radio broadcasts into Iran in the Farsi language, a Persian-language website, public diplomacy through exchanges, and grants to 26 organizations in the U.S. and Europe to promote democracy in Iran.<sup>40</sup> The Bush Administration expressed an affinity for “regime change” in Iran by including the country as part of an “Axis of Evil” in the January 2002 State of the Union Address, and stating in the January 2006 State of the Union message that “...our nation hopes one day to be the closest of friends with a free and democratic Iran.”<sup>41</sup> The Bush Administration also supported UN General Assembly resolutions condemning Iran’s human rights record.<sup>42</sup> Iran asserts that U.S.-backed democracy promotion efforts violate the “Algiers Accords” that resolved the 1979 hostage crisis, which provided for non-interference in each country’s internal affairs.<sup>43</sup> Iranians also feel strongly that U.S. actions represent a fundamental lack of respect for the Islamic Republic, a concept that is manifestly important to the people of Iran.<sup>44</sup>



Iranians have also not forgiven the U.S. for providing intelligence, financial assistance, and other forms of aid to Saddam Hussein during the Iraq-Iran War, which Iran believes helped allow the Baghdad regime to continue to fight and eventually force Iran to the negotiating table.<sup>45</sup> Iran has also not forgotten that the U.S. and its allies failed to strongly condemn Saddam's use of chemical weapons against Iranian soldiers in that war.<sup>46</sup> Nor have they forgotten that the U.S. cruiser USS Vincennes shot down an Iranian civilian airliner in July 1988 killing 290 Iranians.<sup>47</sup> (However, in an example of selective recall, Iran seems to have forgotten that the White House assisted Iran during this same time period by negotiating with and supplying some arms to Iran through the Oliver North/NSC channel.)

In terms of behavior that leads the U.S. to mistrust Iran, the Iranian nuclear program tops the list. The United States, its allies, and other countries in the Middle East are greatly concerned by Iran's apparent pursuit of nuclear weapons. If Iran is seeking nuclear weapons and succeeds in producing them, two U.S. core interests will be threatened: 1) the Security of the U.S. and its allies, especially protection against the proliferation of Weapons of Mass Destruction (WMD); and 2) a Stable and Secure World Order, particularly the stability and collective security of the Middle East and the energy supplies of the U.S. and its allies.<sup>48</sup> The Bipartisan Policy Center, a Washington think tank formed in 2007 by prominent Republicans and Democrats to develop and promote solutions that attract the public support and political momentum to achieve real progress, summarized the security concerns of the U.S. as follows:

... A nuclear-ready or nuclear-armed Islamic Republic ruled by the clerical regime could threaten the Persian Gulf region and its vast energy resources, spark nuclear proliferation throughout the Middle East, inject additional volatility into global energy markets, embolden extremists in the

region, provide nuclear technology to other radical regimes and terrorists (although Iran might hesitate to share traceable nuclear technology), and seek to make good on its threats to eradicate Israel.<sup>49</sup>

Although Iran started its civilian nuclear program under the Shah with the full support of the U.S. administration at the time, the country's post-revolutionary efforts languished until a 1989 agreement with Russia to complete the Bushehr nuclear reactor. With Russia's assistance and nuclear fuel supplies, the reactor was to power up to full capacity in December 2008,<sup>50</sup> but is now expected to begin operating sometime in 2009.<sup>51</sup> However, in parallel with the Bushehr reactor, Iran appears to have carried out a covert uranium enrichment and plutonium production program. This program was revealed to the international community in August 2002<sup>52</sup> when the Mujahedin-e-Khalq (MEK) opposition group released details and photos of the uranium enrichment activities at Natanz and a heavy water production plant at Arak which could support plutonium production (See Figure 2).<sup>53</sup> Neither of these facilities had been reported to the International Atomic Energy Agency (IAEA) as required by protocols of the Non-Proliferation Treaty (NPT) to which Iran is a signatory. In February 2003, the IAEA was allowed by Iran to inspect the Natanz enrichment facility, and they found that Iran had completed 164 centrifuges, and was building 1,000 more in addition to a building to accommodate 50,000 centrifuges.<sup>54</sup> By the end of December 2008, the IAEA expects Iran to have 6,000 centrifuges in operation at the Natanz facility.<sup>55</sup> Light water power reactors, such as the one at Bushehr, are fueled by low-enriched uranium (3.8% U-235), and centrifuges such as those at Natanz can produce low-enriched uranium from refined uranium ore.<sup>56</sup> While the IAEA estimated in July 2008 that Iran has accumulated roughly 75 kg of low-enriched uranium,<sup>57</sup> an updated estimate by the IAEA in November 2008 stated that Iran may have accumulated 630 kg of low-enriched

uranium<sup>58</sup>. Under a worst-case theoretical scenario, 3,000 centrifuges at Natanz could technically allow the Iranians to turn some 500 to 700 kg<sup>59</sup> of low-enriched uranium (3.8% U-235) into 20 kilograms of weapons-grade uranium (93.1% U-235), enough for one bomb, in one month if sufficient quantities of low-enriched uranium (3.8%) were available<sup>60</sup>.

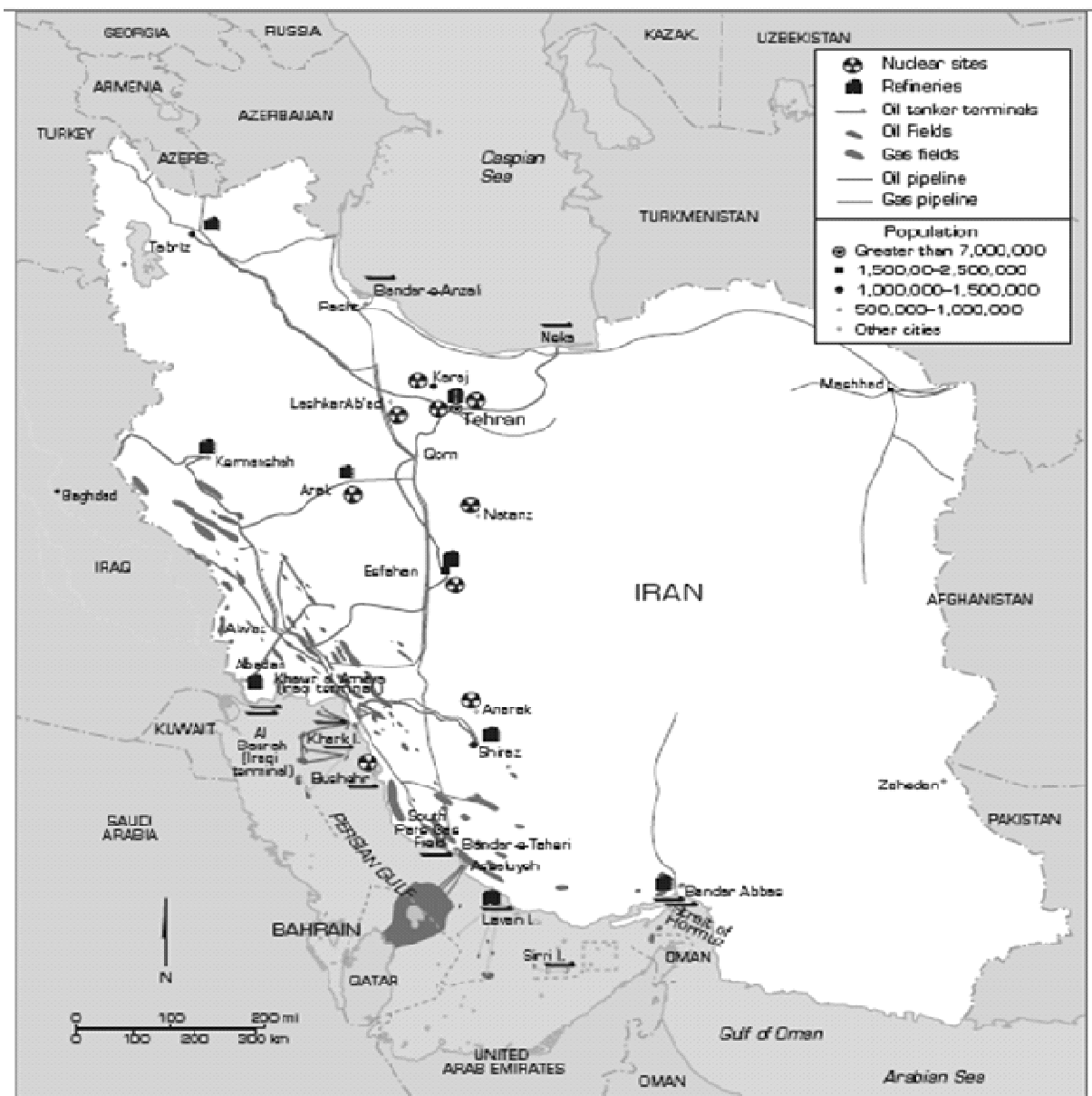


Figure 2 – Map of Iran's Nuclear Facilities<sup>61</sup>

Iran claims that its nuclear program is for electricity generation only and that, given its finite oil and gas resources and declining production, enriched uranium is needed to meet its power generation needs in the future. Iran also claims that enrichment facilities are allowed under the NPT,<sup>62</sup> and over 80% of Iranians believe that it is “very important” for Iran to have a full-cycle nuclear energy program.<sup>63</sup> As a sign of Iran’s peaceful intent, in an address to the United Nations on September 17, 2005, President Ahmadinejad put forward a proposal for foreign firms to jointly develop Iran’s nuclear enrichment capacities.<sup>64</sup> The proposal was dismissed out of hand by EU officials.<sup>65</sup>

Whether and how committed Iran’s leadership is to developing nuclear weapons is unclear.<sup>66</sup> However, Iran could be seeking nuclear weapons to protect itself from perceived threats from the U.S. and other nuclear powers (e.g., Israel, Pakistan). Iran might want nuclear weapons capability to maintain its independence in a dangerous region and protect the revolution; to deter a U.S. attack (since Iran is considered part of the “Axis of Evil”) and to strike back hard if deterrence fails; and to increase its prestige and influence within the region to pursue its own interests.<sup>67</sup>

In December 2007, a National Intelligence Estimate (NIE) on Iran’s nuclear intentions and capabilities drew the following conclusions:

We judge with high confidence that in fall 2003, Tehran halted its nuclear weapons program; we also assess with moderate-to-high confidence that Tehran at a minimum is keeping open the option to develop nuclear weapons.

We assess with moderate confidence [that] Tehran has not restarted its nuclear weapons program as of mid-2007, but we do not know whether it currently intends to develop nuclear weapons.

We continue to assess with moderate-to-high confidence that Iran does not currently have a nuclear weapon.

... Our assessment that the program probably was halted primarily in response to international pressure suggests Iran may be more vulnerable to influence on the issue than we judged previously.

We judge with moderate confidence that Iran probably would be technically capable of producing enough HEU [highly-enriched uranium] for a weapon sometime during the 2010-2015 timeframe.<sup>68</sup>

Critics of the 2007 NIE, such as the Heritage Foundation<sup>69</sup> and the Carnegie Endowment for International Peace<sup>70</sup>, believe that the report will undermine efforts to mobilize a coalition to apply the international pressure needed to dissuade Iran from continuing its long-running nuclear weapons efforts.

Policy under the Bush Administration was consistent with previous U.S. policies<sup>71</sup> in place since 1992: Iran had to be prevented from obtaining nuclear weapons. While working with the United Nations Security Council, Germany, and the IAEA on diplomatic and economic initiatives to slow Iran's efforts, the Bush Administration also kept military action and "regime change" on the table as potential options.<sup>72</sup>

After the IAEA's findings were released in 2003, Britain, France, and Germany negotiated with Iran to suspend the nuclear enrichment program, but these efforts failed. In July 2006, the "P5+1" Group (the United Nations Security Council plus Germany) was formed to deal with the Iran nuclear issue. On July 31, 2006, the UN Security Council passed Resolution 1696, which called for Iran to suspend its uranium enrichment program by August 31, 2006. After diplomatic efforts failed to resolve the impasse, the UN Security Council passed Resolution 1737 on December 23, 2006, which imposed "sanctions on some trade and technology sharing as well as targeted sanctions against individuals and entities linked to Iran's nuclear program."<sup>73</sup> These sanctions were augmented by the UN Security Council on March 24, 2007 (Resolution

1747) and again on March 3, 2008 (Resolution 1803).<sup>74</sup> Despite these UN resolutions, Iran has continued onwards with its uranium enrichment program.

The U.S. also has concerns regarding the Iranian government's significant support to groups it defines as terrorist and radicals throughout the Persian Gulf region as well as in Lebanon (Hizballah), the Palestinian territories (Hamas), Bosnia, the Philippines, and Iraq to project its power in the region and oppose U.S. interests.<sup>75</sup> The 2006 National Security Strategy highlights both Iran's nuclear and terrorist-support activities as threats to the U.S.<sup>76</sup> Iran helped found, organize and train the Lebanese Hizballah, and supports them with perhaps \$100 million per year as well as intelligence data.<sup>77</sup> In exchange, Hizballah has served Iran loyally, striking at Iran's foreign enemies and assassinating Iranian dissidents.<sup>78</sup> Through Hizballah, Iran has gained a weapon against Israel and has become a player in the Middle East Peace process.<sup>79</sup> In addition to the Lebanese Hizballah, Iran has also provided support to Palestinian groups, such as Hamas and the Palestine Islamic Jihad that are fighting against Israel.<sup>80</sup> Supporting these groups enhances Iran's prestige in the Muslim world and disrupts the Arab-Israeli Peace Process based on UN resolutions calling for a negotiated settlement and a two-state solution.<sup>81</sup> Iran has opposed the Arab-Israeli Peace Process supported by the U.S. because it feels that the process is weighted too much in favor of the Israelis to result in a fair settlement for the Palestinians.<sup>82</sup> On October 26, 2005, Iranian President Ahmadinejad went so far as to declare that "Israel should be wiped off the map."<sup>83</sup>

The U.S. has expressed concern that Iran has provided weapons, training, guidance, and financing to "special groups" of Shi'i militias inside Iraq that are involved in sectarian violence and anti-U.S. activities. In its 2007 terrorism report released on

April 30, 2008, the State Department reinforced U.S. claims that Iran's Qods (Jerusalem) Force, a unit of the Revolutionary Guards, is providing Iraqi militias with arms, including highly lethal "explosively forced projectiles" that have killed nearly 200 U.S. soldiers in Iraq.<sup>84</sup>

The 2007 human rights report issued by the State Department stated that Iran's human rights record had "worsened" during the year. State's latest human rights report and the 2008 "religious freedom" report cite Iran for "widespread serious abuses, including unjust executions, politically motivated abductions by security forces, torture, arbitrary arrest and detention, and arrests of women's rights activists."<sup>85</sup>

#### Common and Divergent National Interests

Despite 30 years of hostility and deep mistrust of each others actions and motives, Iran and the United States have several significant national interests in common, as well as issues on which their interests diverge. The mutual interests include: a peaceful and stable Iraq and Afghanistan; curtailment of illegal narcotics trafficking; no nuclear arms race in the Middle East; the development of Iran's oil and gas resources; and a weakened Al-Qaeda.<sup>86</sup> Areas where the U.S. and Iran part company, as expected from the discussion in the last section, encompass nuclear proliferation, the Arab-Israeli conflict, and support for Hizballah and Hamas.<sup>87</sup> Each of these interests will be explored briefly.

In Iraq, both the U.S. and Iran want a democratically-elected government – Washington wants a U.S- friendly one while Tehran wants a Shi'i-led government friendly to Iran. Both countries want an end to the instability and carnage in Iraq, as continued strife creates space for Al-Qaeda type groups to flourish. An unstable Iraq

could also produce refugees that would seek shelter in Iran. Both countries want to see Iraq's territory remain intact, especially as Iran sees an independent Iraqi Kurdistan as a threat given its own disaffected Kurdish community. Given Iraq's Shi'i majority, Iran feels confident that elections will put this majority in power. However, U.S. allies in the region (Saudi Arabia, Jordan, and Kuwait) are less supportive of democracy in Iraq given their Sunni Muslim-dominated regimes and the role of hereditary, authoritarian leaders.<sup>88</sup>

In Afghanistan, both Iran and the U.S. want strife to end and economic reconstruction to move forward. Iran wants the estimated remaining 963,500 Afghan refugees<sup>89</sup> it has harbored to go home and, as a consequence, has been among the top ten aid donors in reconstructing the country. Both countries oppose the narcotics industry in Afghanistan as both destabilizing to Afghanistan and as a source of drugs for addicts in their own countries. Both Iran and the U.S. have been supportive of the Karzai government, and pledged economic and security cooperation. Finally, Iran is strongly opposed to the Taliban as is the U.S., and Iran almost went to war with the anti-Shi'i Taliban in 1998.<sup>90</sup>

Both the U.S. and Iran want to avoid a nuclear arms race in the Middle East at all costs.<sup>91</sup> Both see such a race as de-stabilizing to the region and a threat to the national security interests of both countries. The IAEA is particularly concerned that Saudi Arabia and Egypt, among others, might participate in such a nuclear regional arms race, which could undermine the entire global non-proliferation regime.<sup>92</sup>

Energy is one the strongest areas where the U.S. and Iran have interests in common. While Iran has immense oil and gas resources, it is a major under-performer



in turns of exploiting these resources. For example, Iran has 15% of the world's gas reserves, but only accounts for 2% of world output. Due to mismanagement, sanctions, lack of investment, and deteriorating infrastructure, Iran's oil production is falling and Iran could become a net importer of oil, a situation that threatens the viability of the government given its reliance on oil revenues. U.S. energy companies could provide the expertise and capital needed to expand Iran's oil and gas production, to the benefit of Iran, the U.S., and global energy markets.<sup>93</sup>

Both the U.S. and Iran have a common enemy in inherently anti-Shi'ite groups such as Al-Qaeda. Iran, however, would probably be a silent partner in any such conflict since taking a strong public stance against Al-Qaeda could heighten sectarian tension within the region.<sup>94</sup>

However, in weighing the value of these common interests, the U.S. must keep in mind that the Iranian regime has occasionally been observed to do things that are ultimately counterproductive to its own interests.<sup>95</sup> In trying to frustrate the United States, Tehran's behavior towards Iraq and Afghanistan has been described as schizophrenic at times.<sup>96</sup>

As mentioned above, there are three areas where the national interests of the U.S. and Iran diverge and where bridging the gap between the countries might be the most problematic. First, U.S. opposition to Iran's nuclear fuel enrichment program, which is based on mistrust of Iran's intentions, is seen by Iran as a U.S. attempt to stifle its technological advancement, economic development, and autonomy.<sup>97</sup> Second, with regards to the Arab-Israeli question, Iran supports armed resistance as a prelude to a "popular referendum" in which all inhabitants of Israel and the occupied territories would

be given a vote to determine the country's future. Given that Palestinians are the demographic majority, Iran believes such a referendum would produce the dissolution of Israel.<sup>98</sup> This approach stands in stark contrast to U.S. support for the UN process of a negotiated settlement and the two-state solution. Third, while the U.S. sees Lebanese Hizballah and the Palestinian Hamas and Islamic Jihad militant groups as terrorist entities, Iran sees these as freedom fighting organizations that have the legitimacy and support of their respective populations.<sup>99</sup>

### Engagement Options

On April 7, 1980, five months after the U.S. Embassy staff in Tehran had been taken hostage, the United States formally severed relations with the Islamic Republic of Iran, and the two nations have had only limited official contact since.<sup>100</sup> Since then, every U.S. administration has tried to limit its involvement with Tehran while minimizing Iran's capacity to cause problems for the United States – a policy that has been thwarted by circumstances in the region that have brought the U.S. and Iran together with usually negative consequences for both sides.<sup>101</sup> Given Tehran's apparent pursuit of nuclear weapons, the U.S. need for assistance in stabilizing Iraq and Afghanistan, tightening oil supplies, and elections in both Iran (June 2009) and in the U.S. (November 2008) that could usher in new foreign policies, many commentators have proposed that the time has come for the U.S. and Iran to re-engage in an attempt to improve relations. In the proposals to engage Iran, two mindsets are evident. The first sees Iran as the origin of a series of threats to U.S. national interests that must be contained. The second sees Iran as a potential strategic partner that, if contentious issues could be resolved and common interests embraced, could contribute to

furthering U.S. national interests.<sup>102</sup> Each of these mindsets leads to a different strategy for engaging with Iran.

The “Iran as threat” mindset suggests a carrot and stick strategy that seeks to change Iran’s troubling behavior in an incremental fashion over time. Proponents argue that past approaches applied either insufficient or inconsistent pressure to persuade Iran to change its behavior, or provided Iran with too small a reward to entice it to change its behavior. For example, the Bipartisan Policy Center, a Washington think tank formed in 2007 by prominent Democrats and Republicans, calls for the U.S. to persuade the Europeans, Russians, and Chinese to increase diplomatic and economic pressures on Iran until it agrees to cease uranium enrichment and permit IAEA verification; if Iran continues to pursue its enrichment program, then military force is recommended as a final option.<sup>103</sup> This approach seems based on the often-quoted statement (of uncertain origin) that says: “Iranians will never give in to pressure. They will give in only to a lot of pressure.”<sup>104</sup> In contrast, Kenneth Pollack proposes that rewards for Iran choosing to forego its nuclear enrichment program, reducing its support for terrorist groups, and dropping its opposition to a negotiated Arab-Israeli peace settlement should be more explicitly spelled out. For example, if Iran suspended its enrichment program and allowed IAEA inspections, then the U.S. would agree to issue waivers that would permit U.S. energy companies to invest in Iranian oil and gas projects for as long as the program stayed suspended. In addition, Pollack calls for laying out explicit increases in sanctions that would result if Iran continues with its problematic behavior. Both of these processes require the cooperation of the

Europeans, Russians, and Chinese to be effective, but the inclusion of both rewards and sanctions might persuade them to come on board.<sup>105</sup>

The “Iran as strategic partner” mindset suggests a “Grand Bargain” strategy between the two countries with the aim of providing the greatest degree of negotiating space for building upon common interests and for resolving outstanding issues. This approach recognizes that since the death of Ayatollah Khomeini, Iran has been increasingly capable of defining its national security and foreign policy in terms of national interests<sup>106</sup>, which makes it in general a more rational state actor. For example, the Center for a New American Security, a national security and defense policy think tank established in 2007 in Washington, D.C., calls for the U.S. to pursue “game-changing” diplomacy with Iran, which would include “de-emphasizing near-term threats of military action, giving first priority to getting comprehensive verification in place for Iran’s nuclear program, and negotiating directly with Iran on a broad range of issues.”<sup>107</sup> The diplomatic initiative would also include an offer to establish bilateral relations, possible relief from sanctions, support for Iran joining the World Trade Organization, and incentives and progress on bilateral relations conditioned on Iranian behavior.<sup>108</sup> Proponents of this approach liken it to the Nixon Administration’s successful efforts to reach a rapprochement with China in the 1970s, and claim that only such a bold initiative would succeed in breaking the cycle of hostility between the U.S. and Iran.<sup>109</sup> While not desiring to put Iran back into the role of regional policeman, such a “Grand Bargain” could result in a mutually-beneficial partnership like the one that was envisioned under the Nixon Doctrine which, while flawed, sought to enlist Iran in furthering common interests in the region.<sup>110</sup>

Each approach has its critics as well as its advocates. The incremental “Iran as threat” approach has led to disappointments in the past. For example, Iran saw a massive public outpouring of sorrow for American losses in the 9/11 attacks on the Twin Towers, and then provided significant behind the scenes intelligence and logistics support to the U.S. during Operation Enduring Freedom in Afghanistan, but was rewarded with an “Axis of Evil” label only a few months later after an arms shipment from Iran to Hamas was discovered by the Israelis.<sup>111</sup> In addition, the incremental approach is criticized because it provides too many opportunities for “spoilers” on either side to reanimate old fears or to impede progress from inside the bureaucracy.<sup>112</sup> Critics have claimed that the “Grand Bargain” has been offered by U.S. administrations in the past, and that Iran has always passed on the option.<sup>113</sup> In addition, critics say that the Nixon to China analogy is misleading, since China had already come to an internal consensus that it wanted to reinvent its relationship with the U.S. before being approached, a situation that might not exist in Iran today.<sup>114</sup>

However, after conversations with Iranian officials, the New America Foundation, a nonpartisan public policy institute established in Washington, D.C. in 1999, believes that a critical mass of interest in and support for a genuine strategic rapprochement with the United States might exist.<sup>115</sup> Given this possible opening, the deep distrust between Iran and the United States, and the breadth of issues dividing the two countries which will require each country to give up something important in exchange for a concession from the other party, the “Grand Bargain” approach seems like the most promising one for the U.S. to pursue. This approach also holds out the promise of a clean break with the past as the U.S. would offer Iran the chance to put U.S.-Iran relations on a

fundamentally different course. Given the divisive issues, what elements would make up a “Grand Bargain” between the two countries? In 2008, the New America Foundation outlined the assurances that Iran would need from the United States in a “Grand Bargain” as follows:

As part of a strategic understanding addressing all issues of concern to both sides, the United States would commit not to use force to change the borders or form of government of the Islamic Republic of Iran. This is the essential substance of a U.S. security assurance.

Assuming that U.S. concerns about Iran's nuclear program and opposition to a negotiated settlement to the Arab-Israeli conflict were addressed satisfactorily and that Tehran stopped providing military equipment and training to terrorist organizations, the United States would commit to ending unilateral sanctions against Iran imposed by executive orders, reestablishing diplomatic relations, and reaching a settlement of other bilateral claims.

Under the same conditions, and to operationalize its commitment to an ongoing improvement in U.S.-Iranian relations, the United States would also commit to working with Iran to enhance its future prosperity and pursue common economic interests. Under this rubric, the United States would encourage Iran's peaceful technological development and the involvement of U.S. corporations in Iran's economy, including the investment of capital and provision of expertise to its oil and gas sector.

Assuming that Iran ended its material support for terrorist organizations, the United States would commit to terminating Iran's designation as a state sponsor of terror and lifting the sanctions associated with that designation.

To operationalize further its commitment to an ongoing improvement in U.S.-Iranian relations, the United States would agree to begin an ongoing strategic dialogue with Iran as a forum for assessing each side's implementation of its commitments and for addressing the two sides' mutual security interests and concerns.<sup>116</sup>

In the same article, the New America Foundation laid out that the United States would require the following assurances from Iran under a “Grand Bargain”:

To operationalize its commitment to international security, Iran would carry out measures -- negotiated with the United States, other states, and the International Atomic Energy Agency -- definitively addressing concerns

about its fuel cycle activities. Also, pursuant to the agreement reached in October 2003 by the foreign ministers of Britain, France, Germany, and Iran, and Iran's subsequent signature of the Additional Protocol to the Nuclear Nonproliferation Treaty, the Islamic Republic would ratify -- and, of course, implement -- the Additional Protocol.

To operationalize its commitment to international security further, Iran would agree to the negotiation and implementation of similar measures addressing concerns about activities that may be linked to its potential development of biological and chemical weapons.

To operationalize its commitment to regional stability, Iran would commit to stopping the provision of military supplies and training to terrorist groups, including Hizballah, Hamas, and Islamic Jihad, and to press Palestinian opposition groups to stop violent action.

Similarly, Iran would issue a statement that, in accordance with United Nations Security Council resolutions 242, 338, and 1397, it is not opposed to a negotiated settlement of the Arab-Israeli conflict or a two-state solution to the Israeli-Palestinian conflict. This statement would also endorse the Arab League's contingent commitment to normalization with Israel following resolution of the Palestinian and Syrian tracks. Pursuant to this statement, the Islamic Republic would commit, as part of an overall settlement of the Arab-Israeli conflict, to work for Hizballah's and Hamas's transformation into exclusively political and social organizations.

To operationalize its commitment to regional stability further, Iran would also commit to working with the United States to ensure the emergence of stable political orders in Iraq and Afghanistan.<sup>117</sup>

While this list of commitments is extensive, it represents what each side needs to do to address the core concerns of the other party.

One way to pique Iran's interest in a "Grand Bargain" and demonstrate that the U.S. is willing to seriously consider new approaches to old problems would be for the U.S. to offer to accept President Ahmadinejad's proposal for foreign firms to jointly develop Iran's nuclear enrichment capacities in his address to the United Nations on September 17, 2005 as a starting point for discussion.<sup>118</sup> The U.S. could propose direct discussions between the U.S. and Iran on setting up an NPT-compatible, multi-nationally-managed uranium enrichment program within Iran to support a civilian

nuclear energy program.<sup>119</sup> As part of the proposal, Iran would need to agree to four conditions: 1) A prohibition on producing either highly-enriched uranium or reprocessed plutonium; 2) No work on nuclear fuel, including research and development, could be conducted in Iran outside the multilateral arrangement; 3) Full implementation of the Additional Protocol of the NPT, which requires member nations to make their nuclear facilities subject to more in-depth snap inspections and more comprehensive reporting; and 4) Commitment to a program of only light water reactors, which require uranium fuel enriched only to low levels.<sup>120</sup> Possibly France and Germany would become multinational partners with Iran in a consortium to manage the uranium enrichment facilities, and the UN Security Council would bless the arrangement (and remove sanctions) through a resolution, with the caveat that punitive actions would be taken against Iran if it seeks to nationalize the enrichment facility or withdraw from the NPT.<sup>121</sup>

In fine-tuning the New America Foundation's expression of a "Grand Bargain" between the U.S. and Iran, U.S. Government negotiators must constantly put themselves in the place of their Iranian counterparts. Several examples highlight how Iranians might perceive the elements described above in ways that differ considerably from their American counterparts. One example is the U.S. commitment to not use force to change Iran's form of government. Since the "Algiers Accords" already include a noninterference clause, and since the U.S. Government has ignored this clause, why should Iran take the U.S. at its word now? A second example is the involvement of U.S. energy companies in developing Iran's oil and gas resources. While U.S. firms are obviously competent in this arena, why would Iran choose to woo U.S. companies when it could attract firms from Europe or Asia? A third example is the characterization of



Hamas and Hizbollah as “terrorist groups”. Despite the views in Washington and Tel Aviv, these groups are not regarded as “terrorists” by many people in the Middle East, but as part of the local political scene. Finally, when it comes to Iran’s nuclear program, Iran may ask why they have to provide assurances and put safeguards in place to satisfy the nonproliferation demands of the West when Israel is not required to do so.

If Iran decided to engage with the U.S. on negotiating a “Grand Bargain” such as the one above, the U.S. would have to be prepared for a slow, difficult, and exhausting process, and will need to manifest a deep commitment and tremendous patience. The Obama administration should adhere to the following seven prescriptions to frame the process and increase the likelihood of success<sup>122</sup>:

- Get the timing right – after the June 2009 Iran elections might be the best time to initiate contact, since approaching the Iranians prior to the election might create the impression that the U.S. was trying to influence the outcome of the Iranian presidential race.
- Build confidence on issues of common interest – start with Iraq and Afghanistan to build trust before going on to the more contentious issues.
- Deal with those who hold power – no matter who is the president of Iran, the Supreme Leader Ayatollah Khamenei is unquestionably Iran’s most powerful man and must be convinced that Washington is prepared to recognize the legitimacy of the Islamic Republic of Iran.
- Speak softly – Washington needs to tone down the tough, and often insulting rhetoric and instead project the dignity and poise of a superpower.

- Do not let spoilers set the tenor – powerful cliques, both within Iran and among Iran’s Arab allies, and within Israel and certain groups inside the U.S., have entrenched economic and political interests in preventing U.S.-Iran reconciliation, and Washington needs to stay the course despite provocative actions of the spoilers to disrupt the process.
- Be discreet – when it comes to U.S.-Iranian interactions, secret or private discussions have a greater success rate than discussions in the public realm.
- Maintain an international approach – Washington must seek to maintain a multilateral approach towards Iran, particularly on the nuclear issue, and the direct dialogue between the U.S. and Iran will reassure the European Union, China, and Russia that the U.S. is serious, which will strengthen the coalition.

## Conclusion

January 2009 marks the thirtieth anniversary of Iran’s Islamic revolution. For those 30 years, relations between Iran and the United States have been characterized by hostility, mistrust, and occasional bloodshed. At this period of time in the 21<sup>st</sup> century, the national interests of the United States and Iran are more interwoven than ever before, and the time is long since past for the two nations to engage in a serious dialogue to further their common interests, and to seek to resolve their differences. While there is no guarantee that such a dialogue would be productive, the two countries have little to lose and much to gain by aiming high and seeking to resolve many of their conflicts through the striking of a “Grand Bargain.” If successfully concluded, the “Grand Bargain” could lay the foundation for a mutually-beneficial strategic partnership between the United States and Iran in this pivotal region of the world.

## Endnotes

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- <sup>109</sup> Leverett and Leverett, *Time for a U.S.-Iranian 'Grand Bargain'*, 6.
- <sup>110</sup> Pollack, *The Persian Puzzle*, 103.
- <sup>111</sup> Ibid., 345-350.
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- <sup>113</sup> Pollack, *The Persian Puzzle*, 395.
- <sup>114</sup> Karim Sadjadpour, *Strategic Engagement with Iran: Steps for the Next U.S. President, Transcript of the October 16, 2008 Public Discussion* (Washington, DC: Carnegie Endowment for International Peace, 2008), 24, [http://carnegieendowment.org/files/strategic\\_engagement\\_with\\_iran.pdf](http://carnegieendowment.org/files/strategic_engagement_with_iran.pdf) (accessed November 5, 2008).
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- <sup>116</sup> Ibid., 7.
- <sup>117</sup> Ibid., 6-7.
- <sup>118</sup> International Crisis Group, *Iran: Is There A Way Out of the Nuclear Impasse?*, 3.
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- <sup>120</sup> Ibid., 20.
- <sup>121</sup> Ibid.
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